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Attorneys for Plaintiffs, CARL ZEISS AG and ASML NETHERLANDS B.V.

IN THE UNITED STATES DISTRICT COURT  
FOR THE CENTRAL DISTRICT OF CALIFORNIA, WESTERN DIVISION

CARL ZEISS AG and ASML  
NETHERLANDS B.V.,

Plaintiffs,

v.

NIKON CORPORATION and NIKON  
INC.,

Defendants.

Case No. 2:17-cv-03221-RGK (MRWx)

**PLAINTIFFS' OPPOSITION TO  
NIKON DEFENDANTS' MOTION *IN*  
*LIMINE* NO. 10 TO EXCLUDE  
EVIDENCE RELATING TO THE '792  
PATENT *INTER PARTES* REVIEW  
DECISION**

Trial Date: June 26, 2018, 9:00 a.m.  
Courtroom: 850  
Judge: Hon. R. Gary Klausner

1 Plaintiffs Carl Zeiss AG and ASML Netherlands B.V. (collectively,  
2 “Plaintiffs”) hereby submit the following response to Nikon Corporation and Nikon  
3 Inc.’s (collectively, “Nikon” or “Defendants”) Motion *in Limine* No. 10 to Exclude  
4 Evidence Relating to the ’792 Patent *Inter Partes* Review Decision (Doc. No. 377;  
5 hereinafter “Motion” or “Mot.”).

6 **I. INTRODUCTION**

7 “[A] decision by the USPTO on whether to institute an IPR is relevant to  
8 whether the petitioner (Nikon in this case) will show invalidity of the claims at issue.”  
9 Those were Nikon’s words—before its IPR petition was denied. (*See* Nikon’s  
10 Opposition to Plaintiffs’ Motion *in Limine* No. 2 (Doc. No. 348) at 5-6.) Nikon  
11 continued, “not only [is an IPR decision] relevant; its probative value outweighs any  
12 potential prejudice.” (*Id.* at 5.) Nikon was clear and unequivocal in its argument.  
13 Yet, here, Nikon seeks to exclude the PTO’s IPR decision on the ’792 patent, while at  
14 the same time saying nothing about excluding the IPR on the ’167 patent.

15 Plaintiffs had moved *in limine* to preclude discussion of the IPR petition  
16 because it had not yet been decided and because, if granted, that would only kick-off  
17 an administrative process and was not in itself indicative of the validity of the patent.  
18 (Doc. No. 247-1 at 12-13.) Now, however, the parties have a final decision from the  
19 Patent Office’s Patent Trial and Appeal Board (“Board”). The Board has determined  
20 not to institute an IPR proceeding. Unlike a grant of a petition for review which  
21 simply begins the IPR process, and has an uncertain outcome, the denial of a petition  
22 constitutes a final outcome to the proceedings. As such, it has probative value to a  
23 jury considering the validity of the ’792 patent.

24 Nikon’s prior opposition had been banking on a favorable outcome for Nikon—  
25 a grant of institution—but its statements were not limited, instead contending that an  
26 IPR decision, period, is admissible. Now, however, when the outcome is reversed,  
27 Nikon argues that the Board’s *final* decision is inadmissible. Nikon has it exactly  
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1 backwards here—whereas a preliminary decision to institute would be followed by  
2 other proceedings and thus is not the final word of the Board, a decision not to institute  
3 does finally resolve the proceeding and is thus appropriate for consideration by the  
4 jury.

5 Nikon also indicated at the Pretrial Conference that it was amenable to the IPR  
6 decision being admissible as long as the entire record of the IPR proceeding, including  
7 Nikon’s petition, was also admissible:

8 As the IPR issue, Your Honor, I should note that you tentatively, I think,  
9 granted their motion to exclude IPR stuff today. Now they want IPR stuff  
10 in. *So if it all comes in, including*, you know, anything that’s part of that,  
11 well, I guess I’ll call it *file history of the IPRs, so be it. But it’s not just*  
12 *the decisions, it’s everything that went into the that, the petitions, et*  
13 *cetera.*

14 (Ex. 2, Pretrial Conf. Tr. at 30:14-20 (emphasis added).)<sup>1</sup>

15 Nikon’s motion should be denied, and the jury should be allowed to hear that  
16 Nikon tried, and failed, to invalidate the ’792 patent before the PTO. Indeed, the jury  
17 should be allowed to hear that Nikon hired the same expert testifying at trial (Dr. Essa)  
18 supported the IPR petition that the Board denied. At a minimum, the jury should be  
19 informed of the Board’s decision in an institution or stipulation crafted for the jury.

## 20 **II. RELEVANT BACKGROUND**

21 This motion concerns the Board’s decision denying Nikon’s petition for *inter*  
22 *partes* review of the ’792 patent. The Board denied institution on June 4, 2018, thus  
23 concluding proceedings before it concerning the ’792 patent. (*See generally* Doc. No.  
24 377-4.) In light of this new evidence, Plaintiffs notified Nikon that it would be  
25 amending the joint exhibit list to include the denial of institution for the ’792 patent  
26 (and the denial of institution for the ’167 patent—which Nikon does not seek to

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27 <sup>1</sup> *But see* Mot. at 1 (“The ’792 IPR file history has no relevance to this case at all”).

1 exclude) on June 8, 2018. (*See* Doc. No. 377-2.) Plaintiffs filed an amendment to the  
2 exhibit list with the Court, making clear that the new exhibit list reflected only  
3 “Plaintiffs’ Amendment,” both in the title of the filing and in the cover sheet of the  
4 filing which explained that “[p]laintiffs are deleting a number of exhibits relating to  
5 the ’312 and ’017 patents and are adding the IPR decisions issued on June 4, 2018 by  
6 the PTAB for the ’792 and ’167 patents.” (Doc. No. 356.) Contrary to Nikon’s  
7 characterization, this was not a joint filing nor did it purport to be.

8 Plaintiffs’ previously sought to exclude evidence about the IPR should the  
9 Board institute. As is generally accepted, evidence of *pending* Board proceedings  
10 should be excluded as being irrelevant, non-probative, and prejudicial as these  
11 proceedings are non-final and do not reflect any decision or outcome as to the validity  
12 of a patent. (*See* 247-1, at 1213); *see also, e.g., Dexcowin Glob., Inc. v. Aribex, Inc.*,  
13 No. CV 16-143-GW(AGRX), 2017 WL 3478492, at \*3 (C.D. Cal. June 29, 2017). As  
14 Plaintiffs explained, a decision to institute is merely a “starting point for a detailed  
15 proceeding where Plaintiffs will have a full and fair opportunity to defend the validity  
16 of their patents, something they did not have a chance to do at the petition stage.”  
17 (Doc. No. 2471.) Nikon opposed, arguing that a Board decision on “whether to  
18 institute an IPR” (either grant or deny) would be relevant and non-prejudicial. (*See*  
19 Doc. No. 348, at 56.)

20 The Board denied institution of the IPR. Consistent with its statutory mandate,  
21 the Board found that Nikon “ha[d] not established a reasonable likelihood that it would  
22 prevail” in the IPR. *See* 35 U.S.C. § 314(a); (Doc. No. 377-4, at 1.) As the Board’s  
23 decision makes clear, Nikon’s own arguments defeated its petition. As part of  
24 establishing its right to IPR, Nikon had the burden of establishing that the claims were  
25 amenable to construction, thus allowing the Board to evaluate whether the cited prior  
26 art renders the challenged claims unpatentable. Nikon argued that the claims were not  
27 amenable to construction—even though the Board has no statutory power to evaluate  
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1 whether claims are indefinite and though the Board uses a different standard for claim  
2 construction. (*See, e.g.*, Doc. No. 377-4, at 7–8.) Plaintiffs recognized the inherent  
3 problem with Nikon’s argument and made no argument to the contrary. (*See id.* at  
4 1011’’) The Board then denied institution not because it found the claims indefinite  
5 but because it accepted the “uncontested testimony” from petitioner’s expert (Dr.  
6 Essa) and found that “[b]ecause Petitioner’s arguments and evidence are directed to  
7 the contrary position, Petitioner does not establish that these three terms are capable  
8 of being construed,” as was its burden in IPR. (*See id.* at 11, 16.)

9 Now that the Board has denied its petition, Nikon complains that introducing  
10 the decision denying institution—which (unlike a decision to institute) does finally  
11 resolve the proceedings before the PTO—would be irrelevant and prejudicial. As will  
12 be discussed below, Nikon is wrong—the Board’s decision contains an extensive  
13 discussion of the ’792 patent, providing an independent third-party description of the  
14 patented subject matter, and includes detailed recitations of the positions Nikon took  
15 before the Board, which would allow the jury to evaluate whether Nikon has been  
16 consistent in its description of the patented subject matter. (*See id.*, at 3-7; 1017.)  
17 Moreover, the decision is relevant to show whether Dr. Essa’s validity testimony at  
18 trial is credible. Even further, the decision denying institution is relevant to the issue  
19 of ownership (which Nikon has not agreed to stipulate to), as it shows that Nikon  
20 represented to the Board that Plaintiffs’ were the “real parties in interest,” meaning  
21 the proper owners of the patents. (*Id.* at 1.)

### 22 **III. ARGUMENT**

#### 23 **A. The PTAB’s Decision *Denying* Institution Is Relevant and Non-** 24 **Prejudicial**

##### 25 **1. Final Determinations by the PTO Should Generally Be** 26 **Admissible as Relevant and Non-Prejudicial**

27 As Plaintiffs’ explained in their Motion *in Limine* No. 2, decisions to institute  
28 IPR are generally inadmissible because they are irrelevant, non-probative, and

1 prejudicial as these proceedings are non-final and do not reflect any decision or  
2 outcome as to the validity of a patent. *See Dexcowin Glob., Inc. v. Aribex, Inc.*, No.  
3 CV 16-143-GW(AGRX), 2017 WL 3478492, at \*3 (C.D. Cal. June 29, 2017).  
4 However, as this Court has previously recognized, decisions **not** to institute are  
5 different. Unlike a decision to institute, which will be followed by subsequent  
6 proceedings, a decision not to institute is a final determination of the PTO concerning  
7 a patent, and thus should be generally admissible. *See, e.g., Univ. Elecs., Inc. v. Univ.*  
8 *Remote Control, Inc.*, No. 12-00329, 2014 WL 8096334, at \*7 (C.D. Cal. Apr. 21,  
9 2014); *Univ. Elecs., Inc. v. Univ. Remote Control, Inc.*, IPR2013-00152, Paper 8  
10 (PTAB Aug. 19, 2014) (denying institution); *see also StoneEagle Servs., Inc. v. Pay-*  
11 *Plus Sols., Inc.*, No. 8:13-CV-2240-T-33MAP, 2015 WL 3824208, at \*8 (M.D. Fla.  
12 June 19, 2015) (similarly allowing introduction of a denial of institution decision).

13 This is consistent with courts' treatment of other completed PTO proceedings.  
14 For example, in *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 2013 U.S. Dist. LEXIS 117190,  
15 at \*34-44 (D. Nev. Aug. 16, 2013), the district court admitted evidence of a completed  
16 reexamination proceeding. During opening statements, the plaintiff was allowed to  
17 state that the patents were reexamined. *Id.*, at \*38-39. The plaintiff's witness was also  
18 allowed to testify regarding his understanding of the reexamination process and  
19 results. *Id.*, at \*39-40. Finally, the plaintiff's counsel was allowed to argue during  
20 closings the significance of the reexamination. *Id.*, at \*42. The court concluded that  
21 any potential prejudice was cured by the court's instructions to the jury on the import  
22 of the reexamination evidence. *Id.* at \*42-44.

23 Moreover, as Nikon acknowledges, once an IPR has concluded, the decision  
24 denying institution of that IPR becomes part of the file history of the patent. (*See,*  
25 *e.g.*, Mot. at 2 ("One of the exhibits that Plaintiffs unilaterally added to the joint exhibit  
26 list pertains to the *inter partes* review ("IPR") file history for the '792 Patent"); *see*  
27 *also* Ex. 1 (printout from the PTO showing the contents of the file history, including  
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1 the “Request for Trial Denied” from Nikon’s IPR.) As the Supreme Court has  
2 explained, “[w]hen warranted, the jury may be instructed to consider that it has heard  
3 evidence that the PTO had no opportunity to evaluate before granting the patent.”  
4 *Microsoft Corp. v. I4I Ltd. P’ship*, 564 U.S. 91, 111, 131 S. Ct. 2238, 2251, 180 L.  
5 Ed. 2d 131 (2011). The converse of this statement should also be true—where the  
6 PTO has heard evidence, and has had the opportunity to evaluate evidence, the jury  
7 should similarly be allowed to hear about it.

8 **a. The Board’s Decision Denying Institution in this Case**  
9 **Is Relevant and Non-Prejudicial**

10 Here, Nikon seeks exclusion of the decision denying institution under Federal  
11 Rule of Evidence 403. Under Rule 403, a court may only exclude evidence where its  
12 probative value is “substantially outweighed” by a danger of prejudice or jury  
13 confusion. *See* Fed. R. Evid. 403. Rule 403 is a liberal rule under which relevant  
14 evidence generally is admitted” and district courts have wide latitude in determining  
15 whether evidence should be admitted under this rule. *See, e.g., Jacques v. Clean-Up*  
16 *Grp., Inc.*, 96 F.3d 506, 516 (1st Cir. 1996).

17 Here, the Board’s decision denying Nikon’s petition for IPR of the ’792 patent  
18 is relevant. For example, the jury may benefit from the Board’s description of the  
19 invention and Nikon’s contentions. The jury also is entitled to know if Nikon has  
20 taken inconsistent positions between what it said to the Board and what it may tell the  
21 jury<sup>2</sup>—a position that Nikon advocated before its petition was denied. (*See* Doc. No.  
22 348 at 6 (“any inconsistencies between the IPR proceedings and this district court  
23 proceeding would be relevant to the jury’s evaluation of validity.”); *see also Magna*  
24 *Elects., Inc. v. TRW Auto. Holdings Corp.*, No. 1:12-cv-654, 2016 U.S. Dist. LEXIS  
25 156779, at \*8 (W.D. Mich. Jan. 28, 2016) (cited by Nikon for this position and  
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28 <sup>2</sup> Nikon used the same expert for the IPR petition that it intends to use at trial.

1 allowing introduction of evidence from IPRs to show inconsistencies in party's  
2 position).)

3 In addition, the Board's decision denying institution is relevant to the issue of  
4 ownership. Nikon has refused to stipulate to Plaintiffs' ownership of the patents-in-  
5 suit. Nikon has not, however, previously questioned Plaintiffs' ownership despite the  
6 fact that these very same patents have been involved in the proceedings before the  
7 PTO. Other patents that were transferred by HP to the Plaintiffs in the same  
8 transaction were also involved in an ITC hearing earlier this year, and Nikon did not  
9 context ownership there. If Nikon insists on wasting time in this trial on an issue that  
10 it has acceded to in other forums, the jury should be entitled to know it. The Board's  
11 decision goes directly to this question, as it shows that Nikon properly identified  
12 Plaintiffs' as the owners of the patents-in-suit by identifying them as "real parties in  
13 interest" to proceedings about the patent. This relevance far outweighs any prejudice  
14 that might result from the introduction of the decision denying institution.

15 Nikon's arguments that introducing the '792 IPR proceeding would confuse the  
16 jury are unavailing. (Mot. at 4-6.) First, Nikon again contradicts itself, having  
17 previously argued that any such confusion could easily be avoided with an appropriate  
18 jury instruction. (*Compare* Mot. at 6 ("This is not the case where a jury instruction  
19 could cure the prejudice or confusion the jury may have.") *with* Doc. No. 348 at 6 ("to  
20 the extent there is any potential prejudice....that prejudice can be addressed 'by  
21 appropriate jury instructions....'"') (citing *Univ. Elecs.*, 2014 WL 8096334, at \*7).)  
22 Moreover, Nikon does not oppose introducing the denial of institution decision for the  
23 '167 patent, so their argument is somewhat baffling, as (according to Nikon) the  
24 Board's denial of institution for the '792 patent would be too confusing for the jury  
25 but the Board's denial of institution for the '167 patent would not be. Second, if the  
26 decision is admitted, Nikon would be just as free as Plaintiffs would be to explain to  
27 the jury its understanding of the Board's decision.



1           **B. Allowing the IPR Denial for the '167 But Disallowing the Denial for**  
2           **the '792 Patent Risks Unfair Prejudice to Plaintiffs**

3           Although Nikon challenges the admissibility of the denial of institution for the  
4           '791 patent, it does not challenge the admissibility of the denial of institution for the  
5           '167 patent. If Nikon gets its way, the denial of institution for the '167 patent would  
6           be introduced into evidence, but the denial of institution for the '792 patent would not.  
7           Beyond the fact that Nikon's position is inherently contradictory (for example, as to  
8           whether IPR denials are too confusing for the jury), this situation would create an  
9           untenable risk of prejudice to Plaintiffs because the jury could infer incorrectly that  
10          IPR was instituted for the '792 patent. For this reason, such an imbalanced position—  
11          having one IPR decision in the record and not the other—would be unfairly prejudicial  
12          to Plaintiffs.

13           **C. Alternatively, a Stipulation Could Be Entered in Lieu of the Entire**  
14           **'792 IPR Proceeding Record**

15          If the Court prefers to not admit the entire '792 patent IPR proceedings, it could  
16          permit a stipulation to be read to the jury that simply states that Nikon sought to initiate  
17          an IPR on the '792 or instruction patent and their petition was denied. This would  
18          provide the jury with the relevant facts, while not requiring either party to expend time  
19          explaining the reasons for the denial.

20           **D. Plaintiff's Filing of a "Plaintiff's Amendment" to the Exhibit List**  
21           **Was Entirely Proper**

22          Defendants also complain that Plaintiffs improperly added the '792 IPR  
23          decision to the exhibit list. (Mot. at 1-2.) This argument is baseless. Plaintiffs  
24          appropriately notified Nikon of their intent to delete certain exhibits from Plaintiffs'  
25          portion of the exhibit list, and to add the two decisions denying institution, which the  
26          Board issued after the parties filed the exhibit list. Nikon does not dispute this fact.  
27          (Mot. at 1-2.) Plaintiffs then appropriately filed an amendment to the exhibit list  
28          which clearly stated that it was a "Plaintiffs' Amendment" to the exhibit list. (*See*

1 Doc. No. 365.) Nikon's argument assumes that Nikon gets to approve what exhibits  
2 Plaintiffs add to their portion of the exhibit list. That assumption is incorrect. Nikon  
3 may object to the new exhibits if it likes, but it does not have veto authority over  
4 Plaintiffs seeking to have them admitted into evidence.

5 **IV. CONCLUSION**

6 For the reasons above, Nikon's Motion *in Limine* No. 10 should be denied.  
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1 Dated: June 15, 2018

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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the above and foregoing document has been served on June 15, 2018, to all counsel of record who are deemed to have consented to electronic service via the Court's CM/ECF system per Civil Local Rule 5.4. Any other counsel of record will be served by electronic mail, facsimile and/or overnight delivery.

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